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SUBJECT: SONA 2006: ARROYO PROJECTS OPTIMISM, WANTS TO SPEND

¶1. (SBU) Summary. With a buoyant air and an unusual high tech power point presentation, President Arroyo laid out ambitious development goals for four new supra-regions in the Philippines during the remainder of her term, and asked all to achieve together a "prosperous and united" Philippines under this "pro-poor, pro-growth, pro-peace" policy. She highlighted USG assistance, notably the Millennium Challenge Corporation's new program but also USAID assistance on trafficking in persons and overall military and developmental assistance that was transforming Mindanao. She denounced extrajudicial killings and called for the culprits to be brought to justice. In an apparent reference to a new impeachment effort, she said she was "game" for those who want to "pick up old fights." She promised hundreds more Philippine citizens would soon be repatriated from Lebanon. Separately, the Senate, as expected, unanimously elected Manny Villar as its new president, replacing Frank Drilon. End Summary.

¶2. (U) Amid heavy security, President Gloria Macapagal Arroyo gave her sixth State of the Nation Address (SONA) to a joint session of Congress on July 24. She thanked all members who had made tough choices over the past year to legislate "critical fiscal reform" measures. She cited increased tax revenue, 22 straight quarters of GDP growth, and lifting 20 million people out of poverty as special achievements in recent history. While noting that she did not seek to discuss politics, she thanked the public for resisting "pathetic" calls to undermine the government and the Armed Forces of the Philippines and Philippine National Police for upholding the law and opposing "mutineers."

¶3. (U) The centerpiece of her high tech, powerpoint speech was an ambitious and lengthy rundown of major new infrastructure initiatives in four new super-regions: Northern Luzon (agribusiness); Metro Manila (urban and commercial modernization); Central Philippines (tourism); and, Mindanao (natural resources and agribusiness). In addition, she described a new "cybercorridor" from Baguio to Cebu. She indicated that she would like to see the completion of most projects by the end of her term in 2010, but did not provide details about funding or budget priorities, nor did she specifically call on Congress to pass the 2006 or 2007 budgets.

¶4. (U) While acknowledging that the Philippines "deserved a world-class Constitution," she sidestepped last year's advocacy for charter change, apart from repeatedly acknowledging the important role of Local Government Units and the need for them to have more resources and authority. She denounced extrajudicial killings, underscoring that the Philippines had ended judicial killings with the abolition of the death penalty in 2006, and urged that eyewitnesses come forward to ensure that those responsible for EJKs face justice. To the consternation of many commentators after the fact, she nonetheless singled out for an ovation General Jovito Palparan, the serving AFP flag officer most personally

associated in the public mind and media accounts with alleged EJKs by security forces. She made a one-sentence call for electoral reform, primarily through automation. In an apparent reference to a new impeachment effort, she said she was "game" for those who want to "pick up old fights," but she called instead to join hands, warning that the "survival of our country" could be at stake.

15. (U) Early in her remarks, President Arroyo acknowledged the \$21 million grant from the Millennium Challenge Corporation to fight corruption, adding that her government will match the grant. She excoriated human trafficking, while noting USAID assistance had led to the successful convictions of traffickers here in the Philippines and helped ensure that the Philippines was no longer on the USG's "priority watch list." She also presented other examples of successful USG assistance, such as the successful Balikitan exercises in Basilan and Jolo and the "Arms to Farms" program, along with thanking other international donors.

16. (U) The President touched an emotional chord when she described the government's efforts to help Overseas Filipino Workers in Lebanon, and reported that another 500 would be repatriated in the next four days (on top of the 232 who returned over the weekend).

17. (U) Heavy rains may have deterred a larger turnout, but about 5,000 to 8,000 demonstrators -- described by eyewitnesses as "bedraggled and disheartened" -- were present on the streets near the Congressional compound in Quezon City, well guarded by an estimated 16,000 police and security forces. There were no reported incidents. There were also numerous groups, apparently representing Local Government Units, cheering the President and holding banners of support.

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18. (U) Earlier in the day, the Senate had formally convened its third session in the 13th Congress. As expected, Senate President Franklin Drilon, honoring what he admitted was a gentleman's agreement,⁸ relinquished his presidency & without rancor or bitterness⁸ and subsequently nominated Senator Manuel & Manny⁸ B. Villar, Jr. as the new president.

In a sign of bipartisan support, pro-Administration Senator Pilar Juliana Cayetano and Opposition Senator Jinggoy Estrada seconded the nomination. Without other nominations, Villar was elected by acclaim. (Not since 1953 has a former Speaker of the House -- Villar, s term was 1998-2000 -- become Senate President.) Senator Panfilo Lacson asked, however, how the Senate could now be divided into Majority and Minority sides since the entire Senate had voted for the same president; his inquiry was referred to the Committee on Rules.

19. (SBU) Comment: The contrast to the 2005 SONA, in the midst of the President's political nadir and fight for survival, was striking. This year, the President was buoyant, seemingly brimming with confidence, and boldly optimistic in her vision for the Philippines. She was nonetheless thin on specific legislative priorities, apart from support for a biofuels bill and calls for adequate funds for electoral change and for stamping out "corruption and terrorism." She did not, unfortunately, reiterate her Administration's support for counterterrorism legislation now awaiting Senate consideration.
Kenney